Canadian Imperial Bank of Commerce (TSX:CM) Stock: a High-Yield Bargain

Description

The **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) recently released its first quarter results. They beat expectations on just about every metric. With GAAP earnings up 34% (11% on an adjusted basis), the bank delivered far more profit than analysts were expecting. Profit growth was driven by lower PCL in personal banking and higher revenue in wealth management. It was a pretty strong quarter. Yet CIBC's stock is still cheap. Thanks to concerns about the bank's historical performance, the stock hasn't gained much despite its earnings blowout. As a result, it's now a cheap stock you can snap up and lock in a high dividend yield.

Incredible first-quarter results

CIBC's first quarter results were strong across the board. Highlights included:

- $1.63 billion in reported net income (up 34% from Q1 2020)
- $1.64 billion in adjusted net income (up 11%)
- $652 million in Canadian banking net income (up 13%)
- $188 million in U.S. commercial banking and wealth management net income (up 14%)
- Provisions for credit losses: $147 million (down $114 million)

Every single one of CIBC's business units posted positive year-over-year growth in the first quarter. Not all of them posted amazing growth. Canadian wealth management, for example, grew by just 5%. Still, it's remarkable that the bank posted strong overall growth in a quarter where COVID-19 was in the picture, compared to one when it wasn't. That bodes well for the bank's ability to continue paying dividends–a theme I'll continue in the next section.

Still one of the highest-yielding big six banks

Speaking of dividends, CM is currently one of the highest yielding Canadian bank stocks. With a 4.87% yield, it throws off $4,870 in annual income on every $100,000 invested. That beats **TD Bank**, **Bank of Montreal** and **Scotiabank**, all of which have pretty impressive yields in their own right. Of course, there's a reason for that.

CIBC's historical dividend growth isn't as high as those other banks', and investors aren't expecting as much growth from it going forward. CIBC doesn't have as much of a foreign presence as some of its peers do, so it is perceived as having less room for growth. That may or may not be true. What is certainly true is that the stock's payout ratio (63%) leaves no question that the current dividend can be paid safely.

Foolish takeaway

CIBC hasn't been the best-performing of Canadian banks. Over the last five years, its stock has risen only 30%, compared to 46% for TD. When you factor dividends into the equation, CIBC's track record has been better. Still, it hasn't been the best Canadian bank to hold by any stretch of the imagination.

That may be starting to change, however. With a high yield and a *very* strong quarter behind it, CIBC is starting to look more and more appealing. That doesn't mean the stock is going to become the top Canadian banking play overnight. But it does mean that it's a stock worth watching.

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